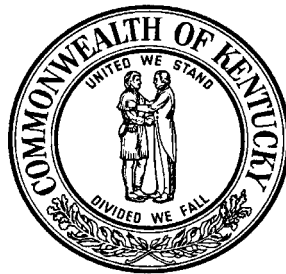


**REPORT OF THE AUDIT OF THE  
WASHINGTON COUNTY  
SHERIFF'S SETTLEMENT - 2003 TAXES**

**April 26, 2004**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
[www.auditor.ky.gov](http://www.auditor.ky.gov)**

**105 SEA HERO ROAD, SUITE 2  
FRANKFORT, KY 40601-5404  
TELEPHONE 502.573.0050  
FACSIMILE 502.573.0067**





**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky

Honorable Ernie Fletcher, Governor

Robbie Rudolph, Secretary

Finance and Administration Cabinet

Honorable John A. Settles, Washington County Judge/Executive

Honorable Tommy Bartley, Washington County Sheriff

Members of the Washington County Fiscal Court

The enclosed report prepared by Carpenter, Mountjoy & Bressler, PSC, Certified Public Accountants, presents the Washington County Sheriff's Settlement - 2003 Taxes as of April 26, 2004.

We engaged Carpenter, Mountjoy & Bressler, PSC to perform the financial audit of this statement. We worked closely with the firm during our report review process; Carpenter, Mountjoy & Bressler, PSC evaluated the Washington County Sheriff's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

Crit Luallen  
Auditor of Public Accounts

Enclosure





**REPORT OF THE AUDIT OF THE  
WASHINGTON COUNTY  
SHERIFF'S SETTLEMENT - 2003 TAXES**

**April 26, 2004**



**EXECUTIVE SUMMARY**

**AUDIT EXAMINATION OF THE  
WASHINGTON COUNTY  
SHERIFF'S SETTLEMENT - 2003 TAXES**

**April 26, 2004**

Carpenter, Mountjoy & Bressler, PSC has completed the audit of the Sheriff's Settlement - 2003 Taxes for Washington County Sheriff as of April 26, 2004. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

**Financial Condition:**

The Sheriff collected taxes of \$2,974,122 for the districts for 2003 taxes, retaining commissions of \$103,078 to operate the Sheriff's office. The Sheriff distributed taxes of \$2,864,712 to the districts for 2003 Taxes. Taxes of \$2 are due to the districts from the Sheriff and a refund of \$1 is due to the Sheriff from the taxing districts.

**Report Comment:**

- The Sheriff's Deposits Were Not Adequately Collateralized

**Deposits:**

The Sheriff's deposits were insured and collateralized by bank securities or bonds.





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To the People of Kentucky

Honorable Ernie Fletcher, Governor

Robbie Rudolph, Secretary

Finance and Administration Cabinet

Honorable John A. Settles, Washington County Judge/Executive

Honorable Tommy Bartley, Washington County Sheriff

Members of the Washington County Fiscal Court

Independent Auditor's Report

We have audited the Washington County Sheriff's Settlement - 2003 Taxes as of April 26, 2004. This tax settlement is the responsibility of the Washington County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Washington County Sheriff's taxes charged, credited, and paid as of April 26, 2004, in conformity with the modified cash basis of accounting.

To the People of Kentucky  
Honorable Ernie Fletcher, Governor  
Robbie Rudolph, Secretary  
Finance and Administration Cabinet  
Honorable John A. Settles, Washington County Judge/Executive  
Honorable Tommy Bartley, Washington County Sheriff  
Members of the Washington County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated November 10, 2004, on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Based on the results of our audit, we present the accompanying comments and recommendations, included herein, which discusses the following report comment:

- The Sheriff's Deposits Were Not Adequately Collateralized

Respectfully submitted,

A handwritten signature in cursive script that reads "Carpenter, Mountjoy & Bressler, PSC".

Carpenter, Mountjoy & Bressler, PSC

Audit fieldwork completed -  
November 10, 2004

WASHINGTON COUNTY  
TOMMY BARTLEY, COUNTY SHERIFF  
SHERIFF'S SETTLEMENT - 2003 TAXES

April 26, 2004

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 242,220	\$ 376,295	\$ 1,419,204	\$ 453,839
Tangible Personal Property	21,607	43,787	126,321	154,378
Intangible Personal Property				76,217
Fire Protection	885			
Increases Through Exonerations	131	212	768	315
Franchise Corporation	14,660	28,908	85,860	
Limestone, Sand, and Mineral Reserves	20	31	119	38
Penalties	1,374	2,137	8,027	2,646
Adjusted to Sheriff's Receipt	(3)	9		55
Gross Chargeable to Sheriff	<u>\$ 280,894</u>	<u>\$ 451,379</u>	<u>\$ 1,640,299</u>	<u>\$ 687,488</u>
<u>Credits</u>				
Exonerations	\$ 430	\$ 672	\$ 2,522	\$ 836
Discounts	3,622	5,767	21,158	9,767
Delinquents:				
Real Estate	4,005	6,213	23,432	7,491
Tangible Personal Property	<u>2</u>	<u>4</u>	<u>14</u>	<u>3</u>
Total Credits	<u>\$ 8,059</u>	<u>\$ 12,656</u>	<u>\$ 47,126</u>	<u>\$ 18,097</u>
Taxes Collected	\$ 272,835	\$ 438,723	\$ 1,593,173	\$ 669,391
Less: Commissions *	<u>11,883</u>	<u>18,646</u>	<u>43,812</u>	<u>28,737</u>
Taxes Due	\$ 260,952	\$ 420,077	\$ 1,549,361	\$ 640,654
Taxes Paid	260,311	418,987	1,545,617	639,797
Refunds (Current and Prior Year)	<u>640</u>	<u>1,090</u>	<u>3,745</u>	<u>856</u>
Due Districts or (Refund Due Sheriff) as of Completion of Fieldwork	<u>\$ 1</u>	<u>\$ 0</u>	<u>\$ (1)</u>	<u>\$ 1</u>

\* See Next Page

The accompanying notes are an integral part of this financial statement.

WASHINGTON COUNTY  
TOMMY BARTLEY, COUNTY SHERIFF  
SHERIFF'S SETTLEMENT - 2003 TAXES  
April 26, 2004  
(Continued)

\* Commissions:

10% on	\$	10,000
4.25% on	\$	1,370,949
2.75% on	\$	1,593,173

WASHINGTON COUNTY  
NOTES TO FINANCIAL STATEMENT

April 26, 2004

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The Sheriff entered into a written agreement with the depository institution and met requirements (a), (b), and (c) stated above. However, as of October 31, 2003, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$98,619 of public funds uninsured and unsecured.

WASHINGTON COUNTY  
NOTES TO FINANCIAL STATEMENT  
APRIL 26, 2004  
(Continued)

Note 3. Tax Collection Period

Property Taxes

The real and personal property tax assessments were levied as of January 1, 2003. Property taxes were billed to finance governmental services for the year ended June 30, 2004. Liens are effective when the tax bills become delinquent. The collection period for these assessments was September 24, 2003 through April 6, 2004.

Note 4. Interest Income

The Washington County Sheriff earned \$1,218 as interest income on 2003 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder will be used to operate the Sheriff's office.

Note 5. Sheriff's 10% Add-On Fee

The Washington County Sheriff collected \$9,720 of 10% add-on fees allowed by KRS 134.430(3). This amount will be used to operate the Sheriff's office. As of November 10, 2004, the Sheriff owes \$3,720 in 10% add-on fees to his fee account.

Note 6. Advertising Costs And Fees

The Washington County Sheriff collected \$104 of advertising costs and \$1,345 of advertising fees allowed by KRS 424.330(1) and KRS 134.440(2). The Sheriff distributed the advertising costs to the county as required by statute, and the advertising fees will be used to operate the Sheriff's office. As of November 10, 2004, the Sheriff owes \$1,345 in advertising fees to his fee account.



COMMENT AND RECOMMENDATION



WASHINGTON COUNTY  
TOMMY BARTLEY, COUNTY SHERIFF  
COMMENT AND RECOMMENDATION

STATE LAWS AND REGULATIONS:

The Sheriff's Deposits Were Not Adequately Collateralized

On October 31, 2003, \$98,619 of the Sheriff's deposits of public funds in depository institutions were uninsured and unsecured. According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with Federal Deposit Insurance Corporation insurance, equals or exceeds the amount of public funds on deposit at all times. We recommend that the Sheriff require the depository institution to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times.

*Sheriff's Response:*

*None*

INTERNAL CONTROL – REPORTABLE CONDITION:

None.

PRIOR YEAR:

The Sheriff Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits As Well As Provide A Written Agreement

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Repeated in current year.

Lacks Adequate Segregation Of Duties

The Sheriff has initiated the performance of compensating control activities which offset the lack of segregation of duties; therefore, this comment is not repeated.

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REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



The Honorable John A. Settles, Washington County Judge/Executive  
The Honorable Tommy Bartley, Washington County Sheriff  
Members of the Washington County Fiscal Court

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards

We have audited the Washington County Sheriff's Settlement - 2003 Taxes as of April 26, 2004, and have issued our report thereon dated November 10, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Washington County Sheriff's Settlement - 2003 Taxes as of April 26, 2004, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards and which is described in the accompanying comment and recommendation.

- The Sheriff's Deposits Were Not Adequately Collateralized

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Washington County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink that reads "Carpenter, Mountjoy & Bressler, PSC". The signature is written in a cursive, flowing style.

Carpenter, Mountjoy & Bressler, PSC

Audit fieldwork completed -  
November 10, 2004



